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| Surname | | Other Names | |
| Centre Number | | Candidate Number | |
| Candidate Signature | | | |

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General Certificate of Secondary Education
June 2005



ACCOUNTING
Foundation Tier
Paper 1

3122/1F

Monday 20 June 2005 9.00 am to 10.15 am

F

No additional materials are required.
You may use a calculator.

Time allowed: 1 hour 15 minutes

Instructions

- Use blue or black ink or ball-point pen.
- Fill in the boxes at the top of this page.
- Answer **all** questions in the spaces provided.
- Do all rough work in the answer book. Cross through any work you do not want marked.

Information

- The maximum mark for this paper is 84. This includes up to 4 marks for Quality of Written Communication.
- Mark allocations are shown in brackets.

Advice

- In all calculations, show clearly how you work out your answer.

| For Examiner's Use | | | |
|----------------------------------|------|--------|------|
| Number | Mark | Number | Mark |
| 1 | | | |
| 2 | | | |
| 3 | | | |
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| Total (Column 1) | → | | |
| Total (Column 2) | → | | |
| Quality of Written Communication | | | |
| TOTAL | | | |
| Examiner's Initials | | | |

Answer **all** questions in the spaces provided.

1

Total for this question: 8 marks

The treasurer of a social club is preparing financial statements to send to the club's members. Indicate by placing **one** tick (✓) in the appropriate column where each item should appear.

The first one has been completed as an example.

| | Item | Bar Trading Account | Income and Expenditure Account | Balance Sheet |
|-----|----------------------------|---------------------|--------------------------------|---------------|
| (a) | <i>Bar purchases</i> | ✓ | | |
| (b) | Subscriptions for the year | | | |
| (c) | Bar sales | | | |
| (d) | Opening stock | | | |
| (e) | Accumulated fund | | | |
| (f) | Bar staff wages | | | |
| (g) | Rent paid for the year | | | |
| (h) | Creditor for bar stock | | | |
| (i) | Cash at bank | | | |

(8 marks)

8

2

Total for this question: 5 marks

Answer the following questions in the spaces provided.

- (a) Name the accounting statement used to check the business cash book against the bank statement.

.....
.....
(1 mark)

- (b) Name the account used to check the totals of the accounts in the purchase ledger.

.....
.....
(1 mark)

- (c) If the purchase of a fixed asset was entered in the purchases account, what type of error would have been made?

.....
.....
(1 mark)

- (d) In a non-profit making organisation, what term is given to the excess of income over expenditure?

.....
.....
(1 mark)

- (e) With which type of business organisation do you associate debentures?

.....
.....
(1 mark)

5

Turn over ►

3

Total for this question: 7 marks

Brian Jones is starting a business as a sole trader. He has already bought a delivery vehicle and fixtures and fittings. He has arranged for a bank loan to help with the purchase of these assets. He has negotiated 2 months trade credit with a supplier and has purchased goods for resale. After these transactions, he has £1500 cash remaining in the bank from his initial capital.

He wishes to start recording all his business transactions using the double entry bookkeeping system.

Record the following assets, liabilities and capital as an opening journal entry. You will need to calculate the value of his capital.

| | |
|-----------------------|--------|
| | £ |
| Delivery vehicle | 10 000 |
| Fixtures and fittings | 2 000 |
| Bank loan | 8 000 |
| Stock of goods | 5 000 |
| Creditor | 5 000 |
| Cash at bank | 1 500 |

The Journal

| | Debit £ | Credit £ |
|-----------------------|------------|-------------|
| Delivery vehicle | | |
| Fixtures and fittings | | |
| Bank loan | | |
| Stock of goods | | |
| Creditor | | |
| Cash at bank | | |
| Capital | | |
| Totals | | |

(7 marks)

| |
|---|
| 7 |
|---|

5

Total for this question: 8 marks

Fred and Barney have been operating a small business as a partnership for several years. They share profits equally. Given below is their recent appropriation account but certain words, phrases and figures have been omitted.

(a) Insert the appropriate word phrase or figure in the shaded areas.

Fred and Barney Appropriation Account **31 March 2005**

| | £ | £ |
|---|---|---|
| Net profit for the year | | 35 750 |
| Plus: Interest on | | |
| Fred | | 500 |
| Barney | | 250 |
| | | |
| Less: Interest on | | |
| Fred | 5 000 | |
| Barney | 6 500 | |
| Salary: Fred | <u>15 000</u> | <u>26 500</u> |
| | | <u>10 000</u> |
| Balance of profits shared: | | |
| Fred | | |
| Barney | | <u><u>10 000</u></u> |

(6 marks)

(b) Suggest **two** reasons why Fred is paid a salary and Barney is not.

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.....

.....

.....

(2 marks)

8

6

Total for this question: 8 marks

Bob Shaw has bought a delivery vehicle for £8 000. He is unsure as to which method of depreciation to use.

He estimates that the vehicle will last for 3 years and could then be sold for £2 000.

- (a) Calculate the depreciation to be charged in the **first** year of trading using the **Straight Line Method** of depreciation.

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(3 marks)

- (b) Calculate the depreciation to be charged in the **first** year of trading using the **Reducing Balance Method** of depreciation at a rate of 40% p.a.

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.....

.....

(2 marks)

- (c) Calculate the depreciation to be charged in the **second** year of trading using the **Reducing Balance Method** of depreciation at a rate of 40% p.a.

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.....

.....

(3 marks)

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8

Turn over ►

7

Total for this question: 8 marks

Lawrence Johnson records the VAT on his business transactions in his books of original entry. The totals in these books for the month of May 2005 are as follows.

Sales Book

| Date | Details | Goods £ | VAT £ | Total £ |
|----------|-----------------|------------|----------|------------|
| May 2005 | Total for month | 28 000 | 4 900 | 32 900 |

Purchases Book

| Date | Details | Goods £ | VAT £ | Total £ |
|----------|-----------------|------------|----------|------------|
| May 2005 | Total for month | 20 000 | 3 500 | 23 500 |

Sales Returns Book

| Date | Details | Goods £ | VAT £ | Total £ |
|----------|-----------------|------------|----------|------------|
| May 2005 | Total for month | 2 600 | 455 | 3 055 |

Purchases Returns Book

| Date | Details | Goods £ | VAT £ | Total £ |
|----------|-----------------|------------|----------|------------|
| May 2005 | Total for month | 1 200 | 210 | 1 410 |

- (a) From the data opposite, draw up the VAT account for the month of May 2005. Balance the account at the end of the month and bring down the balance on 1 June 2005.

| VAT Account | | | | | |
|--------------------|--|---|------|--|---|
| Dr | | | Cr | | |
| Date | | £ | Date | | £ |
| | | | | | |
| | | | | | |
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| | | | | | |
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(6 marks)

- (b) Explain the meaning of the balance brought down on 1 June 2005.

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(2 marks)

8

TURN OVER FOR THE NEXT QUESTION

Turn over ►

8

Total for this question: 18 marks

The following information is available about a business owned by Julia Bennett.

Trading and Profit and Loss Account for the year ended 31 May 2005

| | £ | £ |
|---------------|---------------|---------------|
| Sales | | 120 000 |
| Opening stock | 20 000 | |
| Purchases | <u>80 000</u> | |
| | 100 000 | |
| Closing stock | <u>40 000</u> | <u>60 000</u> |
| Gross profit | | 60 000 |
| Expenses | 20 000 | |
| Depreciation | <u>10 000</u> | <u>30 000</u> |
| Net profit | | <u>30 000</u> |

Julia monitors the performance of her business, using accounting ratios.

(a) State how the following ratios are calculated:

(i) percentage of Gross Profit to Sales Ratio

.....

.....

(1 mark)

(ii) percentage of Net Profit to Sales Ratio

.....

.....

(1 mark)

(iii) rate of Stock Turnover

.....

.....

(1 mark)

(b) Calculate the following ratios for the year ended 31 May 2005:

(i) percentage of Gross Profit to Sales Ratio

.....

.....

(3 marks)

(ii) percentage of Net Profit to Sales Ratio

.....

.....

(3 marks)

(iii) rate of Stock Turnover

.....

.....

(3 marks)

(c) The ratios calculated for the year ending **31 May 2004** were:

| | |
|---|--------------|
| percentage of Gross Profit to Sales ratio | 60% |
| percentage of Net Profit to Sales ratio | 30% |
| rate of Stock Turnover | 6 times p.a. |

Compare your ratios from part (b) with those given for the year ended 31 May 2004 above. Explain in which year the business was more successful, giving **two** reasons for your choice.

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(4 marks)

Turn over ►

- (d) State **two** more items of information that Julia should take into consideration when monitoring the performance of her business.

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(2 marks)

END OF QUESTIONS

18